



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

Washington Horse Racing Commission

For the period July 1, 2012 through June 30, 2013

Published December 29, 2014

Report No. 1013323





Washington State Auditor Troy Kelley

December 29, 2014

Mr. Douglas Moore, Executive Secretary
Washington Horse Racing Commission

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Agency operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Agency's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, Agency operations complied with applicable requirements and provided adequate safeguarding of public resources. The Agency also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to Agency management in a letter dated December 18, 2014, related to cash receipting. We appreciate the Agency's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Washington Horse Racing Commission from July 1, 2012 through June 30, 2013.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Agency's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Local funds
- Cash receipting and revenue
- Safeguarding of assets
- Payroll
- Billings and account receivable
- Use of restricted funds
- Purchase of goods and services
- Expenditures, vouchers and credit cards

STATUS OF PRIOR AUDIT FINDINGS

The status of findings contained in the prior years' audit reports of the Washington Horse Racing Commission is provided below:

1. The Washington Horse Racing Commission does not have adequate controls over receipting and reporting of license fees.

Report No. 1001211, dated May 4, 2009

Background

The Washington Horse Racing Commission is responsible for regulating pari-mutuel horse racing and supporting the development of the horse racing industry. The Commission has a main office in Olympia and maintains satellite offices during the racing season at Emerald Downs in Auburn, Sun Downs in Kennewick, Walla Walla Fair and Frontier Days in Walla Walla, Dayton Days in Dayton and Days of Real Sport in Waitsburg. Approximately 90 percent of the Commission's annual revenues are generated from taxes on pari-mutuel wagering at race tracks and off-track betting sites. The remaining 10 percent is generated from licensing fees. The Commission employs approximately 30 staff, most of whom are seasonal.

The Commission sells horse racing licenses and collects fingerprinting fees at the Olympia office and Emerald Downs. The Commission collected \$107,153 and \$275,572 in license and fingerprint fees in fiscal years 2007 and 2008, respectively.

Status

The Commission adopted new policies and procedures addressing the receipting and reporting weaknesses. We reviewed the policies and procedures, examined system logons and reconciliations and determined the Commission had resolved the finding (as documented in the State of Washington Finding Follow-Up Report, Report No. 1006746, dated November 10, 2011).

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit for the period ending June 30, 2013 can be found at: www.sao.wa.gov/generalinfo/Documents/2013_CAFR_Report_Final.pdf#search=CAFR

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

INFORMATION ABOUT THE AGENCY

The Washington Horse Racing Commission was created by the state Legislature in March 1933. The Commission is required to license, regulate and supervise all horse racing in the state. The Commission is composed of three members appointed by the Governor. Members serve six-year terms and may serve more than one term. One member must be an active breeder of race horses in the state. In addition, four members of the Legislature are appointed ex officio Commission Members. These are nonvoting members whose duties are to assist in the policymaking functions of the Commission, to collect data deemed essential to future legislative proposals and to exchange information with the Commission. Two of these ex officio members are appointed by the President of the Senate, one from each party, and two are appointed by the Speaker of the House, also one from each party. Ex officio members serve two-year terms and may be reappointed.

The Commission appoints an Executive Secretary to act as Chief Operating Officer. The Secretary is responsible for the day-to-day operations of the Commission, implementation of policies and enforcement of Commission rules. The Commission employs approximately 15 individuals, most of whom are seasonal. The Commission has a main office in Olympia and maintains satellite offices during the racing season at Emerald Downs in Auburn, Sun Downs in Kennewick, Walla Walla Fair and Frontier Days in Walla Walla, Dayton Days in Dayton, and Days of Real Sport in Waitsburg. Approximately 90 percent of the Commission's annual revenues are generated from taxes on pari-mutuel wagering at the race tracks and at off-track betting sites. The remaining 10 percent comes primarily from licensing fees. The Commission's 2012-2013 operating budget was approximately \$6.7 million.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Washington Horse Racing Commission at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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